

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L CARACAS 14539

EO 11652 GDS
TAGS: EIND EINV VE
SUBJ: OWENS-ILLINOIS CASE
REF: CARACAS 12977

1. HUMBERTO ARCOCHA, O-I REPRESENTATIVE IN CARACAS STATED THAT MYRON GLICK OF TOLEDO, CAL PHILLIPS OF THE LOCAL OFFICE AND HIMSELF MET WITH MINISTER OF DEVELOPMENT CASAL AND MINISTER OF BASIC INDUSTRIES LAURIA ON THURSDAY, DEC 9.

2. CASAL AND LAURIA SAID THAT THE O-I PRESENTATION OF THE EXPANSION PROJECT (REFTEL) WAS OBJECTIONABLE IN REQUIRING THE GOV TO SELL THEIR PORTION OF THE STOCK IN THE NEW COMPANY TO BE FORMED WITHIN A DEFINED PERIOD OF TIME. IT WAS ARCOCHA'S IMPRESSION THAT THE VENEZUELANS WISH THRU CVF TO HOLD ON TO THEIR STOCK INDEFINITELY.

3. ACCORDING TO ARCOCHA THE GOV WISHES TO START ON THE EXPANSION IMMEDIATELY AND TO CONTINUE WITH ARBITRATION OF THE PRESENT OWENS-ILLINOIS HOLDINGS ON A PARALLEL TRACK. THE VENEZUELANS, HOWEVER, STATED THEIR WILLINGNESS TO PERMIT OWENS-ILLINOIS TO RETAIN 51 PERCENT OF THEIR STOCK IN THE NEW COMPANY. THE ORIGINAL OWENS-ILLINOIS PRESENTATION CALLED FOR 49 PERCENT FOR
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THE COMPANY AND 51 PERCENT FOR THE GOV. UNDER THE TERMS OF THE OWENS-ILLINOIS PRESENTATION THE GOV WOULD FINANCE THE EXPANSION. A TECHNICAL COMMITTEE HAS BEEN CONSTITUTED BY THE CVF FOR DISCUSSIONS WITH O-I PERSONNEL AND WE UNDERSTAND THAT THE TEAM IS ALREADY SURVEYING THE EXISTING PLANT FACILITIES.

ARCOCHA SAYS THERE WAS MUCH TALK OF "TRUST", "PARTNER-SHIP," AND "MARRIAGE" BY THE VENEZUELANS. MINISTER LAURIA WAS QUOTED IN THE LOCAL PRESS ON FRIDAY DEC 10 AS REVEALING A NUMBER OF THE DETAILS DISCUSSED AT THE THURSDAY MEETING.

4. ARCOCHA BELIEVES THAT THE OWENS-ILLINOIS BOARD WILL BE UNEASY AT ENTERING INTO A PARTNERSHIP RELATIONSHIP WITH THE GOV BUT BELIEVES THAT THIS IS THE ONLY FEASIBLE COURSE OPEN TO THE COMPANY. ANY DEMURRER BY THE COMPANY NOW, HE BELIEVES, WILL RESULT IN DISASTER IN THEIR NEGOTIATIONS FOR NATIONALIZATION OF THEIR PRESENT HOLDINGS.

5. WE UNDERSTAND THAT WILLIAM COLEMAN IS ENROUTE TO WASHINGTON WHERE HE WILL SPEAK TO VENEZUELAN AMBASSADOR IRIBARREN BORGES AND WILL BE IN CARACAS ON FRIDAY OR SATURDAY. HE HAS ASKED ARCOCHA TO ARRANGE A MEETING WITH PRESIDENT PEREZ.
VAKY

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